

**California Pollution Control Financing Authority
Tax-Exempt Financing Program
Frequently Asked Questions (FAQ)**

1. What is the California Pollution Control Financing Authority (CPCFA)?

CPCFA is a state agency within the California [State Treasurer's Office](#) that provides private activity tax-exempt bond financing to California businesses for the acquisition, construction, or installation of qualified pollution control, waste disposal, waste recovery facilities, and the acquisition and installation of new equipment. Financing is performed in conjunction with allocation from the [California Debt Limit Allocation Committee](#) (CDLAC). The allocation is required by federal tax law for private activity tax-exempt bonds to be issued.

2. Who is eligible for Tax-Exempt Financing through CPCFA?

CPCFA provides financing to California businesses, irrespective of company size, for the acquisition, construction or installation of qualified pollution control, waste disposal, and resource recovery facilities.

3. Why would a company want to apply for private activity tax-exempt bond financing instead of more traditional bank financing?

Tax-exempt bond financing provides qualified borrowers with lower interest costs than are available through conventional financing mechanisms.

4. What is the process to receive private-activity tax-exempt bond financing?

- Potential Borrowers submit an [application](#), which is reviewed for tax-exempt bond financing eligibility. CPCFA works directly with the applicants in this process and throughout the entire process if the project is eligible.
- Qualified projects will be submitted to the CPCFA board members for approval of an Initial Resolution (IR). The IR is a preliminary action that, if bonds are issued, allows a borrower to be reimbursed for eligible project expenditures incurred 60 days before resolution and for the period after resolution up to the issuance date. It is not a commitment by CPCFA that bonds will be issued.
- A Final Resolution (FR) authorizes a bond sale for a project within a certain period (usually 180 days). An FR is approved by CPCFA only after a detailed examination of final project plans (technical and financial) and the applicant has obtained any and all appropriate certificates from affected environmental agencies and submitted all such certificates to the Authority (if appropriate, a statement must be submitted stating why any approval or certificate has not been obtained or is unnecessary).

- After FR approval potential borrowers, via CPCFA, request "allocation" from the [California Debt Limit Allocation Committee \(CDLAC\)](#). The allocation is required by federal tax law before private activity tax-exempt bonds can be issued. Since many projects compete for a limited amount of allocation, there is no guarantee that CDLAC will award an allocation. CDLAC allocation remains valid for 60 days.
- Once projects receive allocation the Office of the State Treasurer schedules the bonds for sale. CPCFA utilizes a Bond Trustee to distribute the bond proceeds to the borrower and, on behalf of bondholders, to collect and disburse bond payments.

5. Are there any restrictions on what can be funded?

- 95% of proceeds must be used for the defined project
- 2% of bond proceeds can be used for costs of issuance
- 25% of bond proceeds can be used for land costs in certain cases
- A public hearing (TEFRA) must be held before the bonds are issued
- To acquire an existing building, a minimum of 15% of the bond proceeds must be used to renovate the building
- The average life of the bond issue cannot exceed 120% of the weighted average of the estimated useful life of the assets being financed

6. Who makes up the CPCFA Board?

- State Treasurer, Chairman
- State Controller
- Director of the Department of Finance

7. How often does the CPCFA Board meet?

The Board holds monthly meetings. Please see the [2008 Meeting schedule](#) for dates and times.

8. Is there a way to receive updated information or monthly agendas?

Click [here](#) to sign up for notifications.

9. How do I appeal the denial of an application?

Please contact [CPCFA staff](#) or see the [Procedures of The California Debt Limit Allocation Committee Implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds](#) for the appeals process.